

CITY OF COUNCIL GROVE

MORRIS COUNTY, KANSAS

INDEPENDENT AUDITORS' REPORT AND
REGULATORY BASIS FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012

ALDRICH AND COMPANY LLC
CERTIFIED PUBLIC ACCOUNTANTS
COUNCIL GROVE, KANSAS 66846

City of Council Grove
Morris County, Kansas

STATUTORY BASIS FINANCIAL STATEMENTS
Year Ended December 31, 2012

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Independent Auditors' Report

To the City Council
City of Council Grove, Kansas

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of the City of Council Grove, Kansas and the Council Grove Public Building Commission, a Municipal Financial Reporting Entity, as of and for the year ended December 31, 2012 and the related notes to the financial statement.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the Kansas Municipal Audit and Accounting Guide as described in Note 1 to meet the financial reporting requirements of the State of Kansas. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the Kansas Municipal Audit and Accounting Guide. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Adverse Opinion on the U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statement, the City of Council Grove, Kansas prepared this financial statement to meet the requirements of the State of Kansas on the basis of the financial reporting provisions of the Kansas Municipal Audit and Accounting Guide, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on the U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on the U.S. Generally Accepted Accounting Principles" paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the City of Council Grove, Kansas, as of December 31, 2012, or the changes in its financial position or cash flows for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the City of Council Grove, Kansas, as of December 31, 2012, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the Kansas Municipal Audit and Accounting Guide described in Note 1.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The summary of regulatory basis expenditures-actual and budget, individual fund schedules of regulatory basis receipts and expenditures-actual and budget, schedule of regulatory basis receipts and expenditures-agency funds, and schedule of regulatory basis receipts and expenditures-actual-related municipal entity (Schedules 1, 2, 3 and 4 as listed in the table of contents) are presented for analysis and are not a required part of the basic financial statement, but are required to be presented under the provisions of the Kansas Municipal Audit and Accounting Guide.

As part of this presentation, certain prior year comparative information has been derived from the City's 2011 financial statements and, in our report dated July 3, 2012, we expressed an unqualified opinion on the respective basic financial statements, taken as a whole, on the regulatory basis of accounting. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statement as a whole, on the basis of accounting described in Note 1.

Aldrich & Company, LLC

Aldrich & Company LLC
Certified Public Accountants
June 10, 2013

The City of Council Grove
Morris County, Kansas

Summary Statement of Cash Receipts, Expenditures, and Unencumbered Cash
Regulatory Basis
For the Year Ended December 31, 2012

Fund	Beginning Unencumbered Cash Balance	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
General Fund	\$ 1,140,341	\$ 2,144,953	\$ 2,221,975	\$ 1,063,319	\$ 263,817	\$ 1,327,136
Special Purpose Funds						
Industrial Development	1,180	14,551	14,551	1,180	0	1,180
Library	5,875	72,755	72,755	5,875	0	5,875
Library Benefits	0	24,892	24,892	0	0	0
Special Highway	137,007	56,358	106,233	87,132	0	87,132
Special Recreation	34,308	2,342	18,060	18,590	0	18,590
Employee Benefits	21,240	311,353	296,726	35,867	2,874	38,741
Highway Maintenance	98,029	152,433	200,990	49,472	0	49,472
Diversion	4,690	1,850	0	6,540	0	6,540
Equipment Reserve	161,167	129,326	105,866	184,627	0	184,627
Capital Improvement Reserve	262,397	36,001	34,567	263,831	0	263,831
Bond and Interest Fund						
Bond and Interest Fund	1,067	26,302	24,337	3,032	0	3,032
Capital Projects Fund						
Capital Projects	0	3,739,930	2,902,436	837,494	2,227,731	3,065,225
Business Funds						
Water	509,762	835,560	805,521	539,801	11,507	551,308
Maintenance Reserve	158,842	15,000	0	173,842	0	173,842
Water Bond Reserve	0	88,500	0	88,500	0	88,500
Water Bond Principal & Interest Reserve	0	4,439	0	4,439	0	4,439
Sewer	186,949	239,431	180,245	246,135	1,237	247,372
Sewer Reserve	153,529	20,000	30,168	143,361	0	143,361
Refuse	6,332	138,391	139,256	5,467	0	5,467
Computer	25,785	5,432	0	31,217	0	31,217
Trust Fund						
Cemetery Endowment	82,995	1,500	0	84,495	0	84,495
Related Municipal Entity						
Public Building Commission	0	3,135,000	2,876,376	258,624	0	258,624
Total Reporting Entity(Excluding Agency Funds)	<u>\$ 2,991,495</u>	<u>\$ 11,196,299</u>	<u>\$ 10,054,954</u>	<u>\$ 4,132,840</u>	<u>\$ 2,507,166</u>	<u>\$ 6,640,006</u>

The accompanying notes are an integral part of this statement.

The City of Council Grove
Morris County, Kansas

Summary Statement of Cash Receipts, Expenditures, and Unencumbered Cash
Regulatory Basis
For the Year Ended December 31, 2012

Fund	Beginning Unencumbered Cash Balance	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
Total Reporting Entity(Excluding Agency Funds)	\$ 2,991,495	\$ 11,196,299	\$ 10,054,954	\$ 4,132,840	\$ 2,507,166	\$ 6,640,006

Composition of Cash:

Emprise Checking	\$ 3,719,980
Farmers & Drovers Money Market	1,667,687
Farmers & Drovers C.D.	1,254,052
Petty cash	200
Less: Agency Funds Schedule 3	(1,913)
	<u>\$ 6,640,006</u>

The accompanying notes are an integral part of this statement.

City of Council Grove
Morris County, Kansas

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Municipal Financial Reporting Entity

The City of Council Grove is a governmental entity governed by a six member council and mayor. The City provides the following services: public safety (police and fire), streets, sanitation, water, recreation, public improvements, planning and zoning and general administrative services. The City operates two enterprise activities; water and sewer. In addition, the city also contracts for solid waste collection.

This regulatory basis financial statement presents the City of Council Grove and the Council Grove Public Building Commission (PBC). The city council and mayor comprise the PBC board.

Regulatory Basis Fund Types

The accounts of the City are organized and operated on the basis of funds, which are used to record the City's financial transactions. A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts. Cash and other financial resources are recorded together with all related expenditures. A fund is used to segregate specific activities and for the purpose of attaining certain objectives in accordance with special regulations, restrictions, or limitations including State Statutes and City Ordinances. The following types of funds comprise the financial activities of the City.

Governmental Funds:

General Fund -- The General Fund is the chief operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Purpose Funds -- Special Purpose Funds are used to account for the proceeds of specific tax levies and other specific revenue sources (other than capital projects and tax levies for long-term debt) that are intended for specified purposes.

Bond and Interest Fund -- Bond and Interest Funds are used to account for the accumulation of resources, including tax levies, transfers from other funds and payment of general long-term debt.

Capital Project Fund -- Capital Project Funds are used to account for the debt proceeds and other financial resources to be used for acquisition or construction of major capital facilities or equipment.

Business Funds:

Business Funds -- Business Funds are financed in whole or in part by fees charged to users of the goods or services. Funds are operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of receipts, expenses, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Trust Funds: Trust Funds are used to report assets held in trust for the benefit of the municipal financial reporting entity.

Agency Funds: Agency Funds are used to report assets held by the municipality in a purely custodial capacity.

City of Council Grove
Morris County, Kansas

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America

The Kansas Municipal Audit and Accounting Guide (KMAAG) regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis revenues and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The KMAAG regulatory basis does not recognize capital assets, long-term debt, accrued receivables and payables or any other assets, liabilities or deferred inflows or outflows, other than those mentioned above.

The City approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the City to use the regulatory basis of accounting.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special purpose funds (unless specifically exempted by statute), bond and interest funds, and business funds. Although directory rather than mandatory, the statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1st.
2. Publication in local newspaper of the proposed budget and notice of public hearing on the budget on or before August 5th.
3. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication, the hearing may be held, and the governing body may amend the budget at that time. There were no such amendments for this year.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the statutory basis of accounting in which, revenues are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year-end.

A legal operating budget is not required for capital projects funds, fiduciary funds, permanent funds, and the following business and special purpose funds: Equipment Reserve, Capital Improvement Reserve, Water Maintenance Reserve, Sewer Reserve, Water Bond Reserve, and Water Bond Principal and Interest.

City of Council Grove
Morris County, Kansas

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2012

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONT)

Budgetary Information(Cont)

Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

Compliance with Finance-Related Legal and Contractual Provisions

References made herein to the statutes are not intended as interpretations of law, but are offered for consideration of the Director of Accounts and Reports and legal representatives of the municipality.

K.S.A. 9-1402 requires the city's deposits to be adequately secured at all times during the year. During 2012, the City's deposits were not secured for a short period of time. Upon realization of the fact, they obtained adequate security and are now monitoring the depository security more closely.

Management is not aware of any other items of noncompliance with Kansas statutes or contracts.

NOTE 3 - CASH AND DEPOSITS

K.S.A. 9-1401 establishes the depositories which may be used by the City. The statute requires banks eligible to hold the City's funds have a main or branch bank in the county in which the City is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The City has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the City's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The City has no investment policy that would further limit its investment choices.

Concentration of credit risk

State statutes place no limit on the amount the City may invest in any one issuer as long as the investments are adequately secured under 9-1402 and 9-1405.

Custodial credit risk – deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require the City's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. All deposits were legally secured at December 31, 2012.

The City maintains a cash pool that is available for use by all funds. At year-end, the carrying amount of the city's deposits, including certificates of deposit, was \$6,641,719. The bank balance was \$7,214,572. The difference between the carrying amount and the bank balance is outstanding checks and deposits in transit. Of the bank balance, \$500,000 was covered by FDIC insurance and \$6,714,572 was collateralized with securities held by the pledging financial institutions' agents in the City's name. The third party bank is independent of the pledging bank. The pledged securities are held under a tri-party custodial agreement signed by all three parties: the city, the pledging bank, and the independent third party bank holding the pledged securities. The city held no investments at December 31, 2012.

City of Council Grove
Morris County, Kansas

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2012

NOTE 4 - PROPERTY TAXES

The City certifies its' budget to the county clerk annually. Using this certified budget and those of other political subdivisions within the county, the county clerk spreads the annual assessment onto the tax rolls and levies property tax on November 1 of each year. The property tax is payable in two installments. The first installment is due December 20 of the same year. The second installment is due May 10 of the subsequent year. The county collects and distributes the property taxes. In accordance with state statutes, property taxes levied during the current year are a revenue source to be used to finance the following year's operations. Undistributed taxes from the prior year levy are recognized as income in the current year. It is not practicable to apportion delinquent taxes held by the county treasurer at year end and, further, the amounts are not material in relationship to the financial statements taken as a whole.

NOTE 5 - FUND TRANSFERS

The City transferred monies between funds as allowed by applicable Kansas statutes. The following schedule details transfers made in 2012.

Transferred from:	Transferred to:	Statute	Amount
General	Equipment Reserve	12-1,117	\$90,376
General	Capital Improvement	12-1,118	15,000
Water	Equipment Reserve	12-1,117	23,500
Sewer	Equipment Reserve	12-1,117	10,000
Water	Water Reserve	12-825d	15,000
Sewer	Sewer Reserve	12-825d	20,000
Water	Capital Improvement	12-1,118	20,000
Water	Employee Benefits	12-825d	5,000
Sewer	Employee Benefits	12-825d	17,960
Capital Projects-Bond Issuance	Water Bond Principal & Interest	12-825d	4,439

NOTE 6 - DEFINED BENEFIT PENSION PLAN

Plan Description – The City of Council Grove, Kansas participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et seq. KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S. Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

Funding Policy - K.S.A. 74-4419 and 74-49,210 establishes the KPERS member-employee contribution rates. Effective July 1, 2009, KPERS has two benefit structures and funding depends on whether the employee is a Tier 1 or Tier 2 member. Tier 1 members are active and contributing members hired before July 1, 2009. Tier 2 members were first employed in a covered position on or after July 1, 2009. Kansas law establishes member-employee contribution rate at 4% of covered salary for Tier 1 members and at 6% of covered salary for Tier 2 members. The employer collects and remits member-employee contributions according to the provisions of section 414(h) of the Internal Revenue Code. Kansas law provides that the employer contribution rate be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve basis. Kansas law sets a limitation on annual increases in the contribution rates for KPERS employers.

City of Council Grove
Morris County, Kansas

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2012

NOTE 7 – DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan ("plan") created in accordance with Internal Revenue Code Section 457. The plan, available to all city employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until employment termination, retirement, death, or unforeseeable emergency. Plan assets are transferred to a plan agent in a custodial trust.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts shall be held in trust for the exclusive benefit of participants and their beneficiaries. All such amounts shall not be subject to the claims or the employer's general creditors.

NOTE 8 – OTHER LONG-TERM OBLIGATIONS FROM OPERATIONS

Compensated Absences

The City's policies regarding vacation and sick leave permit employees to accumulate a maximum of 6.16 hours of vacation pay and 3.69 hours of sick pay per pay period. No more than five days of vacation pay may be carried forward to the next anniversary year. Sick pay compensation at retirement is restricted to a maximum of thirty days and only if the employee worked at least ten years and is at least 55 years old. All accumulated vacation pay is payable upon employment termination. A maximum of seventy-five days of sick pay may be accumulated. Unused sick pay is forfeited upon employment termination other than retirement. Compensated absence payments are made from the fund that corresponds to the employees duties.

Other Post Employment Benefits

As provided by K.S.A. 12-5040, the City allows retirees to participate in the group health insurance plan until age 65. While each retiree pays the full amount of the applicable premium, conceptually, the City is subsidizing the retirees because each participant is charged a level premium regardless of age. However, the cost of this subsidy has not been quantified in these financial statements.

Under the consolidated Omnibus Budget Reconciliation Act (COBRA), the government makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured. There is no cost to the government under this program.

NOTE 9 - LONG-TERM DEBT

General Obligation Bonds

General obligation bonds, payable from future property tax revenues and special assessments, are serial bonds to be retired through calendar year 2015. At December 31, 2012, the bonds consisted of the following:

Series 2001, Fire Station, due in annual installments ranging from \$10,000 to \$25,000, issued February 1, 2001, carrying interest from 3.9% to 4.9%. Payments are made from the bond and interest fund.

On February 20, 2013, the City's KDHE loan for water system improvements was refinanced with general obligation bonds. These Series 2013 bonds carry interest rates between .4% to 2.75%. Semi-annual interest

City of Council Grove
Morris County, Kansas

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2012

NOTE 9 - LONG-TERM DEBT (CONT)

General Obligation Bonds(Cont)

payments are due starting August 1, 2013. The bonds mature annually starting August 1, 2013 with the last bond maturing on August 1, 2025.

On December 12, 2012, the City issued 2012 Series bonds in the amount of \$885,000 for the purpose of making improvements to the water utility system. These Series 2012 bonds carry interest rates between .75% to 3.75%. Semi-annual interest payments are due starting January 1, 2014. The bonds mature annually starting July 1, 2014 with the last bond maturing on July 1, 2033.

KDOT loan

The City entered into a loan agreement with the Kansas Department of Transportation as of May 12, 2008 for a curb and gutter project on Washington Street. The loan is for \$703,261 and carries an interest rate of 3.99%. The city has dedicated sales tax proceeds from the general fund to finance the project, or in absence of sales tax revenues, they agree to levy tax sufficient for repayment. Interest payments are scheduled semi-annually, and principal payments are scheduled annually. Both interest and principal payments began on August, 1, 2009.

KDHE loans

The City maintains a loan payable, secured by revenues derived from the operation of the sewer utility system payable to the Kansas Department of Health and Environment. Semi-annual payments of \$30,478 are scheduled. The loan carries an interest rate of 3.47%. Payments are made from the sewer fund.

In 2011, the City completed a project to improve the existing sewage system. The total project cost of 509,600 was financed with a loan from the Kansas Department of Health and Environment (KDHE). The loan with KDHE is funded partially with FFY 2010 federal funds and received principal forgiveness of \$76,440 in 2011 upon project completion. One semi-annual payment of \$16,343 was scheduled March 1, 2012 and thirty-nine semi-annual payments of \$13,825 beginning September 1, 2012 are scheduled. Payments are scheduled to be made from the sewer fund. The loan carries an interest rate of 2.55%.

The City also carries a loan payable to the Kansas Department of Health and Environment for its water system improvements. These improvements were completed in 2006. Semi-annual payments of \$92,809.11 began in February 2006. In December 2007, the final loan agreement was received and carries semi-annual payments of \$78,515 for the remaining thirty-six payments. The loan carries an interest rate of 3.73% and payments are made from the water fund. On February 14, 2013, this loan was refinanced with general obligation bonds.

Lease Agreements

The city entered into a lease agreement for the purchase of fire equipment on June 25, 2007. Sixty monthly payments of \$558 are scheduled with a final payment of \$100. The first payment was made in August 2007. The lease terminates in any budgeted year in which insufficient appropriated funds exist to meet the lease obligation, and the City must return the leased equipment to the lessor. Payments were made from the equipment reserve fund.

The city entered into a lease agreement for the purchase of a motor grader on June 22, 2010. Seven annual payments of \$27,625 are scheduled with a final payment of \$1. The first payment was made in June 2010. The lease terminates in any budgeted year in which insufficient appropriated funds exist to meet the lease obligation, and the City must return the leased equipment to the lessor. Payments were made from the equipment reserve fund.

City of Council Grove
Morris County, Kansas

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2012

NOTE 9 - LONG-TERM DEBT (CONT)

Changes in long term liabilities for the year ended December 31, 2012 were as follows:

	Interest Rate	Date of Issue	Amount of Issue	Date of Final Maturity	Balance Payable January 1	Additions	Reductions/ Payments	Balance Payable December 31	Interest Paid
General Obligation Bonds:									
Series 2001 Fire Station	3.9%-4.9%	2/1/2001	\$ 260,000	9/1/2015	\$ 90,000	\$ 0	\$ 20,000	\$ 70,000	\$ 4,337
Series 2012 Water Imp Bonds	.75%-3.75%	12/12/2012	885,000	7/1/2033	0	885,000	0	885,000	0
KDOT loan									
Washington Street Proj TR 0075	3.99%	5/12/2008	703,300	8/1/2027	607,163	0	29,278	577,885	24,225
KDHE loans									
KDHE Water Pollution Control									
Revolving Fund Revenues	3.47%	11/25/1996	878,230	9/1/2017	327,626	0	50,018	277,608	10,938
Revolving Fund Revenues	2.55%	7/1/2010	509,600	9/1/2031	433,160	0	18,841	414,319	11,326
KDHE Water Loan	3.73%	2/2/2004	2,258,481	8/1/2025	1,700,497	0	94,475	1,606,022	62,555
Capital Leases:									
Fire equipment	5.25%	6/25/2007	29,433	8/4/2012	3,935		3,935	0	71
Motor grader	3.90%	6/22/2010	172,915	6/22/2016	123,331	0	22,816	100,515	4,809
Related Municipal Entity									
Public Building Commission Bonds	.5%-3.75%	11/20/2012	3,135,000	6/1/1933	0	3,135,000	0	3,135,000	0
Total long-term debt					<u>\$ 3,285,712</u>	<u>\$ 4,020,000</u>	<u>\$ 239,363</u>	<u>\$ 7,066,349</u>	<u>\$ 118,261</u>

City of Council Grove
Morris County, Kansas

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2012

NOTE 9 - LONG-TERM DEBT (CONT)

Current maturities on long term debt and interest for the next five years and in five year increments through maturity are as follows:

	2013	2014	2015	2016	2017	2018-2022	2023-2027	2028-2032	2033	Total
Principal										
General Obligation Bonds:										
Series 2001 Fire Station	20,000	25,000	25,000	0	0	0	0	0	0	70,000
Series 2013 Water Bonds	65,000	125,000	125,000	130,000	130,000	680,000	390,000	0	0	1,645,000
Series 2012 Water Imp Bonds	0	20,000	35,000	35,000	35,000	195,000	225,000	275,000	65,000	885,000
KDOT loan:										
Washington St Proj	30,445	31,660	32,923	34,237	35,603	200,491	212,526	0	0	577,885
KDHE loans:										
KDHE Water Pollution	51,769	53,580	55,456	57,397	59,406	0	0	0	0	277,608
KDHE Water Pollution	17,194	17,635	18,087	18,552	19,028	102,717	116,592	104,514	0	414,319
KDHE Water Loan	48,562	0	0	0	0	0	0	0	0	48,562
Capital leases										
Motor grader	23,705	24,630	25,590	26,590	0	0	0	0	0	100,515
Related Municipal Entity										
Public Building Commission	0	70,000	125,000	130,000	130,000	690,000	800,000	970,000	220,000	3,135,000
Total Principal	<u>256,675</u>	<u>367,505</u>	<u>442,056</u>	<u>431,776</u>	<u>409,037</u>	<u>1,868,208</u>	<u>1,744,118</u>	<u>1,349,514</u>	<u>285,000</u>	<u>7,153,889</u>
Interest										
General Obligation Bonds:										
Series 2001 Fire Station	3,397	2,438	1,225	0	0	0	0	0	0	7,060
Series 2013 Water Bonds	13,016	28,845	28,095	27,095	25,795	97,412	19,856	0	0	240,114
Series 2012 Water Imp Bonds	0	38,435	24,602	24,340	23,902	110,194	84,749	43,625	2,438	352,285
KDOT loan:										
Washington St Proj	23,058	21,843	20,580	19,266	17,900	67,024	23,703	0	0	193,374
KDHE loans:										
KDHE Water Pollution	9,188	7,376	5,500	3,559	1,550	0	0	0	0	27,173
KDHE Water Pollution	10,456	10,015	9,562	9,098	8,622	35,531	21,657	6,085	0	111,026
KDHE Water Loan	29,952	0	0	0	0	0	0	0	0	29,952
Capital leases										
Motor grader	3,920	2996	2035	1037	0	0	0	0	0	9,988
Related Municipal Entity										
Public Building Commission	88,677	85,873	85,229	84,110	82,648	378,985	284,612	134,549	4,125	1,228,808
Total Interest	<u>181,664</u>	<u>197,821</u>	<u>176,828</u>	<u>168,505</u>	<u>160,417</u>	<u>689,146</u>	<u>434,577</u>	<u>184,259</u>	<u>6,563</u>	<u>2,199,780</u>
Total Principal and Interest	<u>\$ 438,339</u>	<u>\$ 565,326</u>	<u>\$ 618,884</u>	<u>\$ 600,281</u>	<u>\$ 569,454</u>	<u>\$ 2,557,354</u>	<u>\$ 2,178,695</u>	<u>\$ 1,533,773</u>	<u>\$ 291,563</u>	<u>\$ 9,353,669</u>

The City of Council Grove
Morris County, Kansas

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2012

NOTE 10 – PUBLIC BUILDING COMMISSION

The City created the Council Grove Public Building Commission (PBC) under K.S.A. 12-1757 during 2012 for the purpose of issuing debt for the constructing and equipping a swimming pool. The City council and mayor comprise the PBC board. Bonds were issued by the PBC in the amount of \$3,135,000.

The City entered into a lease with PBC to lease land to the PBC. The PBC issued bonds for the swimming pool project and subsequently leased the project to the city. Forty scheduled semiannual payments are scheduled to begin on December 1, 2013. The bonds carry interest rates of .5% to 3.75% depending on the maturity date. As of December 31, 2012, the outstanding balance of the PBC's bonds was \$3,135,000.

NOTE 11 - RISK MANAGEMENT

The City is exposed to various risks of loss including risks related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has been unable to obtain workers' compensation insurance at a cost it considered to be economically justifiable. For this reason the City joined together with other cities in the state to participate in the Kansas Municipal Insurance Trust (KMIT), a public entity risk pool currently operating as a common risk management and insurance program for 141 participating members.

The City pays an annual premium to KMIT for its worker's compensation insurance coverage. The City, along with other participating entities, contributes annual amounts as determined by KMIT management and underwriters. The agreement to participate provides that the KMIT will be self-sustaining through member premiums and currently holds \$3,000,000 of excess insurance with a specific retention of \$750,000. A member is only responsible for additional contributions to the KMIT trust which relate to claims arising out of occurrences in years in which the City is a member of the trust. As claims arise, they are submitted to and paid by KMIT.

The City continues to carry commercial insurance for all other risks of loss including property and liability insurance. There were no significant reductions in insurance coverage from coverage in place in prior years.

NOTE 12 – UTILITY DEPOSITS

The city requires utility deposits for city water services. Deposits are kept indefinitely until service is disconnected. Interest is paid annually and is credited to the individual's account. Refunds of deposit and interest are from the water fund.

NOTE 13 – LITIGATION CONTINGENCIES

The city is a party to various claims, none of which is expected to have a material financial impact on the city.

The City of Council Grove
Morris County, Kansas

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2012

NOTE 14 – CAPITAL PROJECTS

In 2012, the city along with the Council Grove Public Building Commission, began the process of constructing a new swimming pool. The total estimated cost of the project is \$3,002,500 . As of December 31, 2012, the total project disbursements and accounts payable to date was \$614,759.

In 2012, the city began the process of making improvements to its water intake system. The total estimated cost of the project is \$736,554. As of December 31, 2012, there were no project disbursements or accounts payable to date.

REGULATORY-REQUIRED
SUPPLEMENTARY INFORMATION

The City of Council Grove
Morris County, Kansas

Schedule 1

Summary of Expenditures - Actual and Budget
Regulatory Basis
Budgeted Funds Only
For the Year Ended December 31, 2012

FUNDS	Certified Budget	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance Favorable (Unfavorable)
General Fund	\$ 2,415,069		\$ 2,415,069	\$ 2,221,975	\$ 193,094
Special Purpose Funds					
Industrial Development	15,803		15,803	14,551	1,252
Library	78,990		78,990	72,755	6,235
Library Benefits	25,758		25,758	24,892	866
Special Highway	201,095		201,095	106,233	94,862
Special Recreation	38,681		38,681	18,060	20,621
Employee Benefits	292,275	48,877	341,152	296,726	44,426
Highway Maintenance	119,538	130,878	250,416	200,990	49,426
Diversion	15,918		15,918	0	15,918
Bond & Interest Fund					
Bond and Interest Fund	28,138		28,138	24,337	3,801
Business Funds					
Water	804,980	21,762	826,742	805,521	21,221
Sewer	248,270		248,270	180,245	68,025
Refuse	140,000		140,000	139,256	744
Computer	35,780		35,780	0	35,780

See Accompanying Auditors' Report.

The City of Council Grove
Morris County, Kansas

Schedule 2A

GENERAL FUND
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2012
(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Taxes				
Morris County	\$ 434,477	\$ 422,710	\$ 425,539	\$ (2,829)
City Sales taxes	338,707	384,679	350,000	34,679
Franchise taxes	118,335	118,262	108,000	10,262
Total Taxes	<u>891,519</u>	<u>925,651</u>	<u>883,539</u>	<u>42,112</u>
Intergovernmental Revenues				
LAVTR	0	0	0	0
Sales tax	184,828	153,805	150,000	3,805
Grants	0	28,692	0	28,692
Liquor tax	2,148	2,342	3,000	(658)
Total Intergovernmental	<u>186,976</u>	<u>184,839</u>	<u>153,000</u>	<u>31,839</u>
Miscellaneous				
Licenses and permits	49,444	45,309	43,000	2,309
Fines & forfeitures	29,607	20,271	28,900	(8,629)
Lake budget and transfer fees	10,000	16,500	10,000	6,500
Reimbursed expenses-lake taxes	0	377,066	200,620	176,446
Reimbursed expense-lake budget 8% and equipment	0	23,863	0	23,863
Reimbursed expenses	13,860	60,980	0	60,980
Recreation fees, donations, and concessions	33,627	34,482	38,000	(3,518)
Miscellaneous	50,433	16,924	500	16,424
Total Miscellaneous	<u>186,971</u>	<u>595,395</u>	<u>321,020</u>	<u>274,375</u>
Use of Money and Property				
Interest	23,033	12,301	25,000	(12,699)
Hay crop	5,950	6,700	5,150	1,550
Fees for services	7,539	4,837	6,000	(1,163)
Rural fire contract	30,000	24,000	24,000	0
Cabin leases	207,836	391,230	208,700	182,530
Total Use of Money and Property	<u>274,358</u>	<u>439,068</u>	<u>268,850</u>	<u>170,218</u>
Total Cash Receipts	<u>\$ 1,539,824</u>	<u>\$ 2,144,953</u>	<u>\$ 1,626,409</u>	<u>\$ 518,544</u>

See Accompanying Auditors' Report.

The City of Council Grove
Morris County, Kansas

Schedule 2A

GENERAL FUND
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2012
(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Expenditures				
General Administration				
Personal services	\$ 113,396	\$ 117,601	\$ 140,500	\$ 22,899
Contractual	80,653	113,343	71,900	(41,443)
Commodities	15,144	8,736	12,550	3,814
Capital outlay	0	22,331	0	(22,331)
Total General Administration	209,193	262,011	224,950	(37,061)
Police Department				
Personal services	254,925	246,986	250,000	3,014
Contractual	51,163	39,901	47,100	7,199
Commodities	32,408	20,064	34,350	14,286
Capital outlay	4,564	0	5,000	5,000
Total Police Department	343,060	306,951	336,450	29,499
Street Department				
Personal services	137,713	166,124	138,500	(27,624)
Contractual	23,762	28,494	39,100	10,606
Commodities	67,400	49,614	67,800	18,186
Capital outlay	0	1,416	55,000	53,584
Total Street Department	228,875	245,648	300,400	54,752
Swimming Pool				
Personal services	24,111	14,903	25,600	10,697
Contractual	11,311	4,037	19,500	15,463
Commodities	9,941	1,695	5,400	3,705
Capital outlay	0	0	0	0
Total Swimming Pool	45,363	20,635	50,500	29,865
City Parks				
Personal services	36,902	33,483	50,375	16,892
Contractual	12,953	18,935	21,300	2,365
Commodities	3,467	2,442	6,700	4,258
Capital outlay	0	0	3,500	3,500
Total City Parks	\$ 53,322	\$ 54,860	\$ 81,875	\$ 27,015

See Accompanying Auditors' Report.

The City of Council Grove
Morris County, Kansas

Schedule 2A

GENERAL FUND
Schedule of Receipts and Expenditures – Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2012
(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cemetery Care				
Personal services	\$ 29,825	\$ 26,599	\$ 37,000	\$ 10,401
Contractual	2,078	7,058	5,500	(1,558)
Commodities	1,166	572	2,000	1,428
Capital outlay	0	0	0	0
Total Cemetery Care	33,069	34,229	44,500	10,271
City Fire				
Personal services	13,958	11,677	17,325	5,648
Contractual	17,033	13,087	13,500	413
Commodities	5,240	5,430	9,100	3,670
Capital outlay	0	0	4,500	4,500
Total City Fire	36,231	30,194	44,425	14,231
Rural Fire				
Personal services	5,694	9,053	9,500	447
Contractual	16,980	13,066	11,600	(1,466)
Commodities	5,089	5,300	5,500	200
Capital outlay	0	0	3,000	3,000
Total Rural Fire	27,763	27,419	29,600	2,181
Municipal Court				
Personal services	13,872	14,253	18,270	4,017
Contractual	9,500	7,511	13,000	5,489
Commodities	0	0	500	500
Capital outlay	0	0	1,000	1,000
Total Municipal Court	23,372	21,764	32,770	11,006
Recreation				
Personal services	69,044	72,004	77,000	4,996
Contractual	20,478	18,615	23,300	4,685
Commodities	36,760	29,190	43,800	14,610
Capital outlay	15,252	11,615	18,700	7,085
Total Recreation Department	\$ 141,534	\$ 131,424	\$ 162,800	\$ 31,376

See Accompanying Auditors' Report.

The City of Council Grove
Morris County, Kansas

Schedule 2A

GENERAL FUND
Schedule of Receipts and Expenditures – Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2012
(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
City Lake				
Personal services				
Personal services-wages	\$ 83,013	\$ 94,124	\$ 84,500	\$ (9,624)
Personal services-payroll tax and benefits	0	22,621	0	(22,621)
Contractual				
Real estate taxes-cabins, commons areas and caretakers cabin	208,439	425,679	200,620	(225,059)
Other contractual	31,072	26,169	25,850	(319)
Commodities				
Reimbursed inspector and police mileage	0	12,564	0	(12,564)
Reimbursed to office 8%	0	12,617	0	(12,617)
Reimbursed equipment operating costs	0	11,246	0	(11,246)
Other commodities	24,609	21,221	30,700	9,479
Capital outlay	5,780	4,682	4,000	(682)
Transfer to CIP	5,000	5,000	5,000	0
Transfer to equipment reserve	9,000	35,376	9,000	(26,376)
Total City Lake	<u>366,913</u>	<u>671,299</u>	<u>359,670</u>	<u>(311,629)</u>
Street Lighting	47,649	49,277	50,000	723
Infrastructure - sales tax disbursed	12,676	216,398	341,053	124,655
Infrastructure - Washington Street payment	53,503	53,503	53,503	0
Promotions	20,933	31,363	237,573	206,210
Transfers to other funds (except lake above)	<u>58,000</u>	<u>65,000</u>	<u>65,000</u>	<u>0</u>
Total Expenditures	<u>1,701,456</u>	<u>2,221,975</u>	<u>2,415,069</u>	<u>193,094</u>
Receipts Over (Under) Expenditures	(161,632)	(77,022)	<u>\$ (788,660)</u>	<u>\$ 711,638</u>
Unencumbered Cash, January 1	<u>1,301,973</u>	<u>1,140,341</u>		
Unencumbered Cash, December 31	<u>\$ 1,140,341</u>	<u>\$ 1,063,319</u>		

See Accompanying Auditors' Report.

The City of Council Grove
Morris County, Kansas

Schedule 2B

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2012
(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

INDUSTRIAL DEVELOPMENT

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Taxes	\$ 14,772	\$ 14,551	\$ 14,623	(72)
Expenditures				
Industrial Development	<u>14,772</u>	<u>14,551</u>	<u>15,803</u>	<u>1,252</u>
Receipts Over (Under) Expenditures	0	0	<u>\$ (1,180)</u>	<u>\$ 1,180</u>
Unencumbered Cash, January 1	<u>1,180</u>	<u>1,180</u>		
Unencumbered Cash, December 31	<u>\$ 1,180</u>	<u>\$ 1,180</u>		

See Accompanying Auditors' Report.

The City of Council Grove
Morris County, Kansas

Schedule 2C

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2012
(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

LIBRARY

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Taxes	\$ 73,871	\$ 72,755	\$ 73,115	\$ (360)
Expenditures				
Library appropriation	<u>73,871</u>	<u>72,755</u>	<u>78,990</u>	<u>6,235</u>
Receipts Over (Under) Expenditures	0	0	<u>\$ (5,875)</u>	<u>\$ 5,875</u>
Unencumbered Cash, January 1	<u>5,875</u>	<u>5,875</u>		
Unencumbered Cash, December 31	<u>\$ 5,875</u>	<u>\$ 5,875</u>		

See Accompanying Auditors' Report.

The City of Council Grove
Morris County, Kansas

Schedule 2D

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2012
(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

LIBRARY BENEFITS

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Taxes	\$ 0	\$ 24,892	\$ 25,758	\$ (866)
Expenditures				
Library appropriation	0	24,892	25,758	866
Receipts Over (Under) Expenditures	0	0	<u>\$ 0</u>	<u>\$ 0</u>
Unencumbered Cash, January 1	0	0		
Unencumbered Cash, December 31	<u>\$ 0</u>	<u>\$ 0</u>		

See Accompanying Auditors' Report.

The City of Council Grove
Morris County, Kansas

Schedule 2E

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2012
(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

SPECIAL HIGHWAY

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
State of Kansas	\$ 58,023	\$ 56,358	\$ 61,440	\$ (5,082)
Expenditures				
Street repairs and improvements	<u>0</u>	<u>106,233</u>	<u>201,095</u>	<u>94,862</u>
Receipts Over (Under) Expenditures	58,023	(49,875)	<u><u>\$ (139,655)</u></u>	<u><u>\$ 89,780</u></u>
Unencumbered Cash, January 1	<u>78,984</u>	<u>137,007</u>		
Unencumbered Cash, December 31	<u>\$ 137,007</u>	<u>\$ 87,132</u>		

See Accompanying Auditors' Report.

The City of Council Grove
Morris County, Kansas

Schedule 2F

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2012
(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

SPECIAL RECREATION

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Liquor tax	\$ 2,148	\$ 2,342	\$ 3,000	\$ (658)
Other	79	0	0	0
Total Cash Receipts	2,227	2,342	3,000	(658)
Expenditures				
Parks & recreation	0	18,060	38,681	20,621
Adjustment for qualifying budget credits	0	0	0	0
Total Expenditures	0	18,060	38,681	20,621
Receipts Over (Under) Expenditures	2,227	(15,718)	\$ (35,681)	\$ 19,963
Unencumbered Cash, January 1	32,081	34,308		
Unencumbered Cash, December 31	\$ 34,308	\$ 18,590		

The City of Council Grove
Morris County, Kansas

Schedule 2G

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2012
(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

EMPLOYEE BENEFITS

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Taxes	\$ 242,983	\$ 239,516	\$ 239,759	\$ (243)
Reimbursed expense	23,366	48,877	0	48,877
Transfers In	0	22,960	0	22,960
Total Cash Receipts	<u>266,349</u>	<u>311,353</u>	<u>239,759</u>	<u>71,594</u>
Expenditures				
Social Security	58,333	59,348	61,100	1,752
Health & dental	167,311	162,970	153,700	(9,270)
Unemployment	18,458	4,275	28,350	24,075
KPERs	46,985	54,227	46,500	(7,727)
Workers compensation	13,432	14,577	0	(14,577)
Firemen's relief	1,390	1,329	2,625	1,296
Adjustment for budget credit	0	0	48,877	48,877
Total Expenditures	<u>305,909</u>	<u>296,726</u>	<u>341,152</u>	<u>44,426</u>
Receipts Over (Under) Expenditures	(39,560)	14,627	<u>\$ (101,393)</u>	<u>\$ 116,020</u>
Unencumbered Cash, January 1	<u>60,800</u>	<u>21,240</u>		
Unencumbered Cash, December 31	<u>\$ 21,240</u>	<u>\$ 35,867</u>		

See Accompanying Auditors' Report.

The City of Council Grove
Morris County, Kansas

Schedule 2H

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2012
(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

HIGHWAY MAINTENANCE

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
State of Kansas	\$ 21,540	\$ 152,433	\$ 21,525	\$ 130,908
Expenditures				
Street improvements	0	200,990	119,538	(81,452)
Adjustments for qualifying budget credits	0	0	130,878	130,878
Total expenditures	0	200,990	250,416	49,426
Receipts Over (Under) Expenditures	21,540	(48,557)	\$ (228,891)	\$ 180,334
Unencumbered Cash, January 1	76,489	98,029		
Unencumbered Cash, December 31	\$ 98,029	\$ 49,472		

See Accompanying Auditors' Report.

The City of Council Grove
Morris County, Kansas

Schedule 21

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2012
(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

DIVERSION

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Diversion fees	\$ 1,775	\$ 1,850	\$ 5,000	\$ (3,150)
Expenditures				
Commodities	<u>3,003</u>	<u>0</u>	<u>15,918</u>	<u>15,918</u>
Receipts Over (Under) Expenditures	(1,228)	1,850	<u><u>\$ (10,918)</u></u>	<u><u>\$ 12,768</u></u>
Unencumbered Cash, January 1	<u>5,918</u>	<u>4,690</u>		
Unencumbered Cash, December 31	<u>\$ 4,690</u>	<u>\$ 6,540</u>		

The City of Council Grove
Morris County, Kansas

Schedule 2J

Schedule of Receipts and Expenditures
Regulatory Basis
For the Year Ended December 31, 2012
(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

EQUIPMENT RESERVE

	Prior Year Actual	Current Year Actual
Cash Receipts		
Transfers In	\$ 90,500	\$ 123,876
Other receipts	0	5,450
Grants	<u>0</u>	<u>0</u>
 Total Receipts	 90,500	 129,326
 Expenditures		
Equipment	<u>75,566</u>	<u>105,866</u>
 Receipts Over (Under) Expenditures	 14,934	 23,460
 Unencumbered Cash, January 1	 <u>146,233</u>	 <u>161,167</u>
 Unencumbered Cash, December 31	 <u>\$ 161,167</u>	 <u>\$ 184,627</u>

See Accompanying Auditors' Report.

The City of Council Grove
Morris County, Kansas

Schedule 2K

Schedule of Receipts and Expenditures
Regulatory Basis
For the Year Ended December 31, 2012
(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

CAPITAL IMPROVEMENT RESERVE

	Prior Year Actual	Current Year Actual
Cash Receipts		
Other receipts	\$ 751	\$ 1,001
Reimbursed expenses	5,497	0
Loan proceeds	0	0
Transfers in	<u>35,000</u>	<u>35,000</u>
 Total Receipts	 41,248	 36,001
 Expenditures		
Capital Improvements	<u>1,561</u>	<u>34,567</u>
 Receipts Over (Under) Expenditures	 39,687	 1,434
 Unencumbered Cash, January 1	 <u>222,710</u>	 <u>262,397</u>
 Unencumbered Cash, December 31	 <u>\$ 262,397</u>	 <u>\$ 263,831</u>

The City of Council Grove
Morris County, Kansas

Schedule 2L

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2012
(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

BOND & INTEREST

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Morris County	\$ 24,467	\$ 26,302	\$ 26,528	\$ (226)
Expenditures				
Principal	20,000	20,000	20,000	0
Interest	5,267	4,337	4,338	1
Cash basis reserve	<u>0</u>	<u>0</u>	<u>3,800</u>	<u>3,800</u>
Total Expenditures	<u>25,267</u>	<u>24,337</u>	<u>28,138</u>	<u>3,801</u>
Receipts Over (Under) Expenditures	(800)	1,965	<u>\$ (1,610)</u>	<u>\$ 3,575</u>
Unencumbered Cash, January 1	<u>1,867</u>	<u>1,067</u>		
Unencumbered Cash, December 31	<u>\$ 1,067</u>	<u>\$ 3,032</u>		

See Accompanying Auditors' Report.

The City of Council Grove
Morris County, Kansas

Schedule 2M

Schedule of Receipts and Expenditures
Regulatory Basis
For the Year Ended December 31, 2012

CAPITAL PROJECTS FUND

	Current Year Actual
Cash Receipts	
Public Building Commission Bonds	\$ 2,684,034
Intake Project Bonds-Issuance Costs	59,946
Intake Project Bonds-Project Costs	736,554
Pool Donations	<u>259,396</u>
 Total Receipts	 3,739,930
 Expenditures	
Pool project	2,842,490
Intake project-issuance costs	55,507
Intake project-transfer to P&I reserve	<u>4,439</u>
 Total Expenditures	 <u>2,902,436</u>
 Receipts Over (Under) Expenditures	 837,494
 Unencumbered Cash, January 1	 <u>0</u>
 Unencumbered Cash, December 31	 <u><u>\$ 837,494</u></u>

See Accompanying Auditors' Report.

The City of Council Grove
Morris County, Kansas

Schedule 2N

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2012
(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

WATER UTILITY

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Charges for services	\$ 761,528	\$ 795,659	\$ 725,000	\$ 70,659
Connection/treatment fees	7,471	3,117	2,000	1,117
Penalties	8,296	7,041	5,000	2,041
Security deposits	6,420	7,980	8,000	(20)
Reimbursed expenses	14,138	21,763	0	21,763
Other	4,717	0	0	0
Total Cash Receipts	802,570	835,560	740,000	95,560
Expenditures				
Production				
Personal services	89,500	95,691	117,550	21,859
Contractual services	73,843	109,605	99,600	(10,005)
Commodities	55,279	59,038	54,700	(4,338)
Capital outlay	0	0	7,000	7,000
Total Production	218,622	264,334	278,850	14,516
Distribution				
Personal services	140,472	154,232	117,200	(37,032)
Contractual services	8,684	10,336	55,450	45,114
Commodities	29,855	79,728	37,300	(42,428)
Capital outlay	11,343	7,776	18,000	10,224
Total Distribution	\$ 190,354	\$ 252,072	\$ 227,950	\$ (24,122)

See Accompanying Auditors' Report.

The City of Council Grove
Morris County, Kansas

Schedule 2N

Schedule of Receipts and Expenditures – Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2012
(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

WATER UTILITY

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
General and administrative				
Personal services	\$ 35,419	\$ 35,864	\$ 37,150	\$ 1,286
Contractual services	9,491	13,876	20,900	7,024
Commodities	1,860	3,210	3,100	(110)
Capital outlay	0	0	8,500	8,500
Other	14,527	15,635	13,000	(2,635)
Total General and administrative	<u>61,297</u>	<u>68,585</u>	<u>82,650</u>	<u>14,065</u>
Debt service	157,030	157,030	157,030	0
Adjustments for qualifying budget credits	0	0	21,762	21,762
Transfers out	<u>58,500</u>	<u>63,500</u>	<u>58,500</u>	<u>(5,000)</u>
Total Expenditures	<u>685,803</u>	<u>805,521</u>	<u>826,742</u>	<u>21,221</u>
Receipts Over (Under) Expenditures	116,767	30,039	<u>\$ (86,742)</u>	<u>\$ 116,781</u>
Unencumbered Cash, January 1	<u>392,995</u>	<u>509,762</u>		
Unencumbered Cash, December 31	<u>\$ 509,762</u>	<u>\$ 539,801</u>		

See Accompanying Auditors' Report.

The City of Council Grove
Morris County, Kansas

Schedule 20

Schedule of Receipts and Expenditures
Regulatory Basis
For the Year Ended December 31, 2012
(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

WATER MAINTENANCE RESERVE

	Prior Year Actual	Current Year Actual
Cash Receipts		
Water plant loan proceeds	\$ 0	\$ 0
Transfer from water	<u>15,000</u>	<u>15,000</u>
Total Cash Receipts	15,000	15,000
Expenditures		
Water system maintenance	0	0
Water plant upgrade principal	0	0
Water plant upgrade interest	0	0
Water plant improvements	<u>0</u>	<u>0</u>
Total Expenditures	<u>0</u>	<u>0</u>
Receipts Over (Under) Expenditures	15,000	15,000
Unencumbered Cash, January 1	<u>143,842</u>	<u>158,842</u>
Unencumbered Cash, December 31	<u><u>\$ 158,842</u></u>	<u><u>\$ 173,842</u></u>

See Accompanying Auditors' Report.

The City of Council Grove
Morris County, Kansas

Schedule 2P

Schedule of Receipts and Expenditures
Regulatory Basis
For the Year Ended December 31, 2012

WATER BOND RESERVE

	Current Year Actual
Cash Receipts	
Water bonds issued	\$ 88,500
Transfer from water	<u>0</u>
Total Cash Receipts	88,500
Expenditures	
Water system bonds	<u>0</u>
Total Expenditures	<u>0</u>
Receipts Over (Under) Expenditures	88,500
Unencumbered Cash, January 1	<u>0</u>
Unencumbered Cash, December 31	<u>\$ 88,500</u>

The City of Council Grove
Morris County, Kansas

Schedule 2Q

Schedule of Receipts and Expenditures
Regulatory Basis
For the Year Ended December 31, 2012

WATER BOND PRINCIPAL AND INTEREST RESERVE

	Current Year Actual
Cash Receipts	
Transfer of excess issuance costs	\$ 4,439
Transfer from water	<u>0</u>
Total Cash Receipts	4,439
Expenditures	
Water system bonds	<u>0</u>
Total Expenditures	<u>0</u>
Receipts Over (Under) Expenditures	4,439
Unencumbered Cash, January 1	<u>0</u>
Unencumbered Cash, December 31	<u>\$ 4,439</u>

See Accompanying Auditors' Report.

The City of Council Grove
Morris County, Kansas

Schedule 2R

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2012
(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

SEWER UTILITY

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Charges for services	\$ 241,770	\$ 239,431	\$ 239,500	\$ (69)
Special assessments	512	0	0	0
Other	0	0	0	0
Total Cash Receipts	<u>242,282</u>	<u>239,431</u>	<u>239,500</u>	<u>(69)</u>
Expenditures				
Personal services	54,027	48,442	59,020	10,578
Contractual services	17,376	16,415	31,950	15,535
Commodities	8,881	6,472	21,300	14,828
Capital outlay	0	0	9,000	9,000
Principal & interest	60,956	60,956	97,000	36,044
Transfers out	<u>30,000</u>	<u>47,960</u>	<u>30,000</u>	<u>(17,960)</u>
Total Expenditures	<u>171,240</u>	<u>180,245</u>	<u>248,270</u>	<u>68,025</u>
Receipts Over (Under) Expenditures	71,042	59,186	<u>\$ (8,770)</u>	<u>\$ 67,956</u>
Unencumbered Cash, January 1	<u>115,907</u>	<u>186,949</u>		
Unencumbered Cash, December 31	<u>\$ 186,949</u>	<u>\$ 246,135</u>		

See Accompanying Auditors' Report.

The City of Council Grove
Morris County, Kansas

Schedule 2S

Schedule of Receipts and Expenditures
Regulatory Basis
For the Year Ended December 31, 2012
(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

SEWER RESERVE

	Prior Year Actual	Current Year Actual
Cash Receipts		
Transfer from sewer	\$ 20,000	\$ 20,000
Sewer loan	471,200	0
Transfer from sewer	491,200	20,000
Expenditures		
Sewer system maintenance & debt	350,605	30,168
Receipts Over (Under) Expenditures	140,595	(10,168)
Unencumbered Cash, January 1	12,934	153,529
Unencumbered Cash, December 31	<u>\$ 153,529</u>	<u>\$ 143,361</u>

See Accompanying Auditors' Report.

The City of Council Grove
Morris County, Kansas

Schedule 2T

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2012
(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

REFUSE UTILITY

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Charges for services	\$ 136,692	\$ 138,391	\$ 140,000	\$ (1,609)
Transfers in	0	0	0	0
Total Cash Receipts	136,692	138,391	140,000	(1,609)
Expenditures				
Contractual services	130,947	133,824	140,000	6,176
Computer service	5,508	5,432	0	(5,432)
Total Expenditures	136,455	139,256	140,000	744
Receipts Over (Under) Expenditures	237	(865)	\$ 0	\$ (865)
Unencumbered Cash, January 1	6,095	6,332		
Unencumbered Cash, December 31	\$ 6,332	\$ 5,467		

See Accompanying Auditors' Report.

The City of Council Grove
Morris County, Kansas

Schedule 2U

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2012
(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

COMPUTER FUND

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Charges for services	\$ 5,507	\$ 5,432	\$ 5,000	\$ 432
Expenditures				
Contractual services	<u>5,502</u>	<u>0</u>	<u>35,780</u>	<u>35,780</u>
Receipts Over (Under) Expenditures	5	5,432	<u>\$ (30,780)</u>	<u>\$ 36,212</u>
Unencumbered Cash, January 1	<u>25,780</u>	<u>25,785</u>		
Unencumbered Cash, December 31	<u>\$ 25,785</u>	<u>\$ 31,217</u>		

See Accompanying Auditors' Report.

The City of Council Grove
Morris County, Kansas

Schedule 2V

Schedule of Receipts and Expenditures
Regulatory Basis
For the Year Ended December 31, 2012

TRUST FUND

	Cemetery Endowment
Cash Receipts	
Lots and care	\$ 1,500
Expenditures	
Cemetery care	<u>0</u>
Receipts Over (Under) Expenditures	1,500
Unencumbered Cash, January 1	<u>82,995</u>
Unencumbered Cash, December 31	<u><u>\$ 84,495</u></u>

See Accompanying Auditors' Report.

The City of Council Grove
Morris County, Kansas

Schedule 3

AGENCY FUNDS
Summary of Receipts and Expenditures
Regulatory Basis
For the Year Ended December 31, 2012

	<u>Beginning Cash Balance</u>	<u>Cash Receipts</u>	<u>Cash Expenditures</u>	<u>Ending Cash Balance</u>
Performance Bond	<u>\$ 1,913</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,913</u>
Total	<u><u>\$ 1,913</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 1,913</u></u>

See Accompanying Auditors' Report.

The City of Council Grove
Morris County, Kansas

Schedule 4

Summary of Receipts and Expenditures
Regulatory Basis
For the Year Ended December 31, 2012

Related Municipal Entity

PUBLIC BUILDING COMMISSION

	Project Costs	Cost of Issuance	Pool Bond Reserve Account	PBC Total
Cash Receipts				
Bond Issued	\$ 2,684,034	\$ 215,841	\$ 235,125	\$ 3,135,000
Expenditures				
To City for pool project	2,684,034	0	0	2,684,034
Costs of Issuance	0	192,342	0	192,342
Total Expenditures	<u>2,684,034</u>	<u>192,342</u>	<u>0</u>	<u>2,876,376</u>
Receipts Over (Under) Expenditures	0	23,499	235,125	258,624
Unencumbered Cash, January 1	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Unencumbered Cash, December 31	<u>\$ 0</u>	<u>\$ 23,499</u>	<u>\$ 235,125</u>	<u>\$ 258,624</u>

See Accompanying Auditors' Report.